



BELGlobal
Resources

BEL GLOBAL RESOURCES HOLDINGS LIMITED
百 營 環 球 資 源 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock code : 761

INTERIM REPORT 2008 / 09

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Directors”) of Bel Global Resources Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 together with the comparative figures for the corresponding period in 2007. These interim financial statements were not audited but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
REVENUE	2	74,698	57,748
Cost of sales		<u>(58,324)</u>	<u>(46,227)</u>
Gross profit		16,374	11,521
Other income and gains		437	586
Selling and distribution costs		(10,360)	(3,067)
Administrative expenses		(17,960)	(7,206)
Other expenses		(29)	(84)
Finance costs	5	<u>(22,047)</u>	<u>(787)</u>
PROFIT/(LOSS) BEFORE TAX	4	(33,585)	963
Tax	6	<u>(584)</u>	<u>(3)</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		<u>(34,169)</u>	<u>960</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
– Basic		<u>HK(2.40) cents</u>	<u>HK0.28 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		25,316	24,528
Available-for-sale equity investments	8	–	–
Intangible asset	9	2,330,822	2,332,273
		<hr/>	<hr/>
Total non-current assets		2,356,138	2,356,801
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		40,867	44,238
Trade and bills receivables	10	42,635	100,937
Prepayments, deposits and other receivables		41,682	9,641
Pledged bank deposits		–	26,369
Cash and bank balances		35,292	22,252
		<hr/>	<hr/>
Total current assets		160,476	203,437
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	11	7,953	7,438
Other payables and accruals		13,956	13,237
Interest-bearing bank borrowings	12	–	9,218
Advance from bank for bills discounted		13,744	–
Amount due to a related company		–	19,758
Tax payable		12,796	12,716
		<hr/>	<hr/>
Total current liabilities		48,449	62,367
		<hr/>	<hr/>
NET CURRENT ASSETS			
		112,027	141,070
		<hr/>	<hr/>
Total assets less current liabilities		2,468,165	2,497,871
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

		As at	
		30 September	31 March
		2008	2008
		(Unaudited)	(Audited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Convertible bonds	13	349,901	680,025
Consideration payable		877,414	1,169,914
Deferred tax liabilities		3,605	3,605
		<hr/>	<hr/>
Total non-current liabilities		1,230,920	1,853,544
		<hr/>	<hr/>
Net assets		1,237,245	644,327
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital	14	192,145	58,533
Equity component of convertible bonds	13	172,914	346,095
Reserves		872,186	233,846
Proposed final dividend		–	5,853
		<hr/>	<hr/>
Total equity		1,237,245	644,327
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Issued	Share	Equity	Land and		Exchange	Retained	Proposed	Total
		share	premium	component of	buildings	Reserve	fluctuation	profits/		
		capital	account*	convertible	revaluation	funds*	reserve*	(accumulated	final	equity
				bonds	reserve*			losses)*	dividend	
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 April 2007 (Audited)	31,704	49,586	-	16,017	173	(492)	25,777	-	122,765
	Issue of shares	6,300	35,611	-	-	-	-	-	-	41,911
	Exchange realignment	-	-	-	330	-	(417)	-	-	(87)
	Profit for the period	-	-	-	-	-	-	960	-	960
	At 30 September 2007 (Unaudited)	<u>38,004</u>	<u>85,197</u>	<u>-</u>	<u>16,347</u>	<u>173</u>	<u>(909)</u>	<u>26,737</u>	<u>-</u>	<u>165,549</u>
	At 1 April 2008 (Audited)	58,533	183,485	346,095	10,816	173	3,707	35,665	5,853	644,327
	Issue of convertible bonds 13	-	-	99,684	-	-	-	-	-	99,684
	Conversion of convertible bonds 13	133,612	684,034	(272,865)	-	-	-	-	-	544,781
	Loss for the period	-	-	-	-	-	-	(34,169)	-	(34,169)
	Final 2008 dividend declared	-	-	-	-	-	-	(11,525)	(5,853)	(17,378)
	At 30 September 2008 (Unaudited)	<u>192,145</u>	<u>867,519</u>	<u>172,914</u>	<u>10,816</u>	<u>173</u>	<u>3,707</u>	<u>(10,029)</u>	<u>-</u>	<u>1,237,245</u>

* These reserve accounts comprise the consolidated reserves of HK\$872,186,000 (31 March 2008: HK\$233,846,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months
ended 30 September

2008 2007

(Unaudited) (Unaudited)

HK\$'000 HK\$'000

Net cash inflow/(outflow) from operating activities	326	(29,850)
Net cash inflow/(outflow) from investing activities	25,772	(457)
Net cash inflow/(outflow) from financing activities	(5,616)	41,753
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,482	11,446
Cash and cash equivalents at beginning of period	14,810	(13,926)
Effect of foreign exchange rate changes, net	–	(417)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	35,292	(2,897)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,292	12,178
Bank overdrafts, secured	–	(15,075)
	35,292	(2,897)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements of Bel Global Resources Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) as disclosed below.

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s unaudited condensed consolidated interim financial statements.

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised standards and interpretation has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements.

HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

1. Basis of preparation *(continued)*

The Group has not early adopted these new HKFRSs in these unaudited condensed consolidated interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position and presentation of the unaudited condensed consolidated interim financial statements.

2. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period.

3. Segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the mineral resources segment engages in the trading of mineral resources;
- (b) the apparel segment engages in the trading of fur pelts and tanned leather; manufacture and sale of leather garments, fur garments and fabric garments; and
- (c) the corporate and others segment comprises corporate income and expense items, and the trading of other products.

With the commencement of trading of mineral resources, management changed the presentation of segment information and consolidated the fur, leather and fabric garment segments into the apparel segment. Management considered that the change provides a more appropriate presentation of the Group's existing operating structure. Comparative information has been reclassified to conform with the current period's presentation.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business and geographical segments for the six months ended 30 September 2008 and 2007.

3. Segment information (continued)

(a) Business segments

	Unaudited for the six months ended 30 September 2008			
	Mineral resources HK\$'000	Apparel HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to external customers	<u>13,744</u>	<u>60,954</u>	<u>–</u>	<u>74,698</u>
Segment results	<u>(3,994)</u>	<u>(4,969)</u>	<u>(2,992)</u>	<u>(11,955)</u>
Bank interest income				417
Finance costs				<u>(22,047)</u>
Loss before tax				(33,585)
Tax				<u>(584)</u>
Loss for the period				<u>(34,169)</u>
Assets and liabilities:				
Segment assets	2,371,416	99,594	10,312	2,481,322
Unallocated assets				<u>35,292</u>
Total assets				<u>2,516,614</u>
Segment liabilities	1,227,794	20,057	1,373	1,249,224
Unallocated liabilities				<u>30,145</u>
Total liabilities				<u>1,279,369</u>

3. **Segment information** (continued)
(a) Business segments (continued)

Unaudited for the six months ended 30 September 2007

	Mineral resources <i>HK\$'000</i>	Apparel <i>HK\$'000</i> (Reclassified)	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>–</u>	<u>57,581</u>	<u>167</u>	<u>57,748</u>
Segment results	<u>–</u>	<u>8,445</u>	<u>(7,203)</u>	1,242
Bank interest income				508
Finance costs				<u>(787)</u>
Profit before tax				963
Tax				<u>(3)</u>
Profit for the period				<u>960</u>
Assets and liabilities:				
Segment assets	–	139,373	34,724	174,097
Unallocated assets				<u>41,736</u>
Total assets				<u>215,833</u>
Segment liabilities	–	16,039	7,462	23,501
Unallocated liabilities				<u>26,783</u>
Total liabilities				<u>50,284</u>

3. Segment information (continued)
(b) Geographical segments

Unaudited for the six months ended 30 September 2008					
	Mainland		Other		
	Hong Kong	China	Germany	countries	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	9,514	27,438	29,263	8,483	74,698
Segment results	(1,910)	(7,727)	4,843	(4,169)	(8,963)
Unaudited for the six months ended 30 September 2007					
	Mainland		Other		
	Hong Kong	China	Germany	countries	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	15,174	9,944	25,701	6,929	57,748
Segment results	1,026	1,155	5,331	933	8,445

4. Profit/(loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold (including inventory provision)	41,583	35,916
Depreciation	1,032	807
Amortisation of an intangible asset	1,451	–
Minimum lease payments under operating leases in respect of land and buildings	1,468	242
Auditors' remuneration	533	150
Employee benefits expense (including directors' remuneration)	16,508	8,385
Foreign exchange differences, net	295	(461)
Bank interest income	(417)	(508)

5. Finance costs

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable in five years	206	787
Interest on convertible bonds (<i>note 13</i>)	21,841	–
	<u>22,047</u>	<u>787</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax had been made for the six months ended 30 September 2007 as the Group did not generate any assessable profits arising in Hong Kong during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the location in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong	584	–
Current – Mainland China	–	3
	<u>584</u>	<u>3</u>

7. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$34,169,000 (six months ended 30 September 2007: profit of HK\$960,000) and the weighted average number of ordinary shares of 1,422,715,045 (six months ended 30 September 2007: 344,576,700) in issue during the period as adjusted to reflect the conversion of convertible bonds during the period.

Diluted loss per share amount for the six months ended 30 September 2008 has not been disclosed, as the convertible bonds outstanding during the period had an anti-dilutive effect on the basic earnings per share amount for the period. Diluted earnings per share amount for the six months ended 30 September 2007 has not been disclosed as no diluting events existed during that period.

8. Available-for-sale equity investments

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Unlisted equity investments, at cost	3,364	3,364
Less: Impairment	(3,364)	(3,364)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

As at 30 September 2008, the unlisted equity investments of the Group were stated at cost less impairment because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. Impairment was recognised for the unlisted investments with reference to their business performance. There was no change in the impairment during the period (six months ended 30 September 2007: Nil). The Group does not intend to dispose of them in the near future.

9. Intangible assets

Exclusive purchase right

	<i>HK\$'000</i>
Net carrying amount:	
At 1 April 2008 (Audited)	2,332,273
Amortisation provided during the period	(1,451)
	<hr/>
At 30 September 2008 (Unaudited)	<u>2,330,822</u>
At 30 September 2008:	
Cost	2,347,102
Accumulated amortisation	(16,280)
	<hr/>
	<u>2,330,822</u>

10. Trade and bills receivables

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade and bills receivables	46,692	105,627
Impairment	(4,057)	(4,690)
	<hr/>	<hr/>
	<u>42,635</u>	<u>100,937</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance or letters of credits are normally required. The credit period is generally for a period of one to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

10. Trade and bills receivables (continued)

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of impairment allowances, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 3 months	36,745	96,864
4 to 6 months	5,750	3,136
7 to 12 months	140	434
Over 1 year	–	503
	<u>42,635</u>	<u>100,937</u>

11. Trade and bills payables

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 3 months	4,235	2,554
4 to 6 months	1,866	2,086
7 to 12 months	174	163
Over 1 year	1,678	2,635
	<u>7,953</u>	<u>7,438</u>

The trade and bills payables are non-interest-bearing and are normally settled within 30 to 90 days. The carrying amounts of trade and bills payables approximate to their fair values.

12. Interest-bearing bank and other borrowings

	Effective interest		Maturity		The Group	
	rate (%)					
	30 September 2008 (Unaudited)	31 March 2008 (Audited)	30 September 2008 (Unaudited)	31 March 2008 (Audited)	30 September 2008 (Unaudited) <i>HK\$'000</i>	31 March 2008 (Audited) <i>HK\$'000</i>
Current						
Bank overdrafts						
– secured	-	2-5.08	-	On demand	-	7,442
Bank loans						
– secured	-	6.44	-	2008	-	1,776
					<u>-</u>	<u>9,218</u>
Non-current						
Convertible bonds (note 13)	8.9	8.7	2013	2013	349,901	680,025
					<u>349,901</u>	<u>680,025</u>
					<u>349,901</u>	<u>689,243</u>
					30 September 2008 (Unaudited) <i>HK\$'000</i>	31 March 2008 (Audited) <i>HK\$'000</i>

Analysed into:

Bank loans and overdrafts:

Within one year or on demand

- 9,218

Convertible bonds:

In the second to fifth years, inclusive

349,901 680,025

12. Interest-bearing bank and other borrowings *(continued)*

Notes:

- (a) As at 31 March 2008, the Group's banking facilities were secured by the pledge of Group's bank deposits and certain leasehold land and buildings amounting to HK\$26,369,000 and HK\$15,732,000 respectively, and guarantees provided by the Company.
- (b) The carrying amounts of the Group's and the Company's borrowings approximate to their fair values.
- (c) As at 31 March 2008, all interest-bearing bank and other borrowings are denominated in Hong Kong dollars, except for secured bank loans of HK\$1,776,000 which were denominated in Renminbi.

13. Convertible bonds

On 15 January 2008, the Company issued zero coupon convertible bonds with a nominal value of HK\$1,051,326,000 (the "Tranche 1 Convertible Bonds") as part of the consideration for the acquisition of the exclusive purchase right. The Tranche 1 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of Company at a conversion price of HK\$0.6 per share (the "Conversion Price"), subject to adjustment, on or before 14 January 2013 (the "Maturity Date").

Any Tranche 1 Convertible Bonds will be redeemed at the principal amount on the Maturity Date if not otherwise converted or redeemed before the Maturity Date.

During the period, Tranche 1 Convertible Bonds of principal amount in aggregate of HK\$801,675,000 were converted by the bondholders at the Conversion Price, resulting in the issue of 1,336,125,000 ordinary shares of the Company.

On 16 May 2008, the Company issued zero coupon convertible bonds with a nominal value of HK\$292,500,000 (the "Tranche 2 Convertible Bonds") pursuant to the acquisition agreement in relation to the exclusive purchase right. Terms and conditions of the Tranche 2 Convertible Bonds are the same as the Tranche 1 Convertible Bonds.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

13. Convertible bonds (continued)

The movements of the liability and equity components of convertible bonds during the period are as follows:

	Liability component of convertible bonds <i>HK\$'000</i>	Equity component of convertible bonds <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2008 (Audited)	680,025	346,095	1,026,120
Nominal value of convertible bonds issued during the period	192,816	99,684	292,500
Finance costs (note 5)	21,841	–	21,841
Partial conversion of convertible bonds during the period	(544,781)	(272,865)	(817,646)
	<u>349,901</u>	<u>172,914</u>	<u>522,815</u>
At 30 September 2008 (Unaudited)	<u>349,901</u>	<u>172,914</u>	<u>522,815</u>

Subsequent to the balance sheet date, Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds of principal amount in aggregate of HK\$97,500,000 were converted by the bondholders, resulting in the issue of 162,500,000 ordinary shares of the Company.

14. Share capital

	30 September 2008 (Unaudited) <i>HK\$'000</i>	31 March 2008 (Audited) <i>HK\$'000</i>
Authorised:		
10,000,000,000 (31 March 2008: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,921,450,700 (31 March 2008: 585,325,700) ordinary shares of HK\$0.10 each	<u>192,145</u>	<u>58,533</u>

During the period, an aggregate of 1,336,125,000 ordinary shares in the Company were issued upon the conversion of Tranche 1 Convertible Bonds with an aggregate principal amount of HK\$801,675,000 at the Conversion Price as set out in note 13.

14. Share capital (continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 15 to the unaudited condensed consolidated interim financial statements.

15. Share option scheme

On 29 August 2002, a share option scheme (the "Scheme") was adopted by the shareholders of the Company. The Scheme will remain in force for 10 years from the date of adoption.

The purpose of the Scheme is to provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include employees and directors of the Group or the Invested Entity, suppliers and customers of the Group and the Invested Entity, any person or entity that provides research, development or other technological support to the Group or the Invested Entity, and shareholders of the Group or the Invested Entity.

The maximum number of shares issuable under share options currently permitted to be granted under the Scheme is 173,782,570, representing 10% of the issued shares of the Company. The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and may commence on the date of the offer and shall end no later than 10 years from the date of the offer.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million within any 12-month period are subject to shareholders' approval in advance in a general meeting.

15. Share option scheme (continued)

The subscription price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options were granted during the period and there were no share options outstanding at the balance sheet date (31 March 2008: Nil).

16. Operating lease arrangements

The Group leased certain of its staff quarters and office premises under operating lease arrangements with leases negotiated for original terms ranging from 1 to 3 years.

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	2,823	2,553
In the second to fifth years, inclusive	3,390	4,469
	<u>6,213</u>	<u>7,022</u>

17. Related parties transactions

(a) Transactions with related parties:

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Purchase of minerals from a related company	(i)	3,105	–
Rental expenses to a company in which a former director of the Company is a controlling shareholder	(ii)	<u>677</u>	<u>–</u>

Notes:

- (i) The related company was owned as to 50% by the wife of a substantial shareholder of the Company and 50% by a relative of that substantial shareholder. The transaction was carried out based on the terms agreed by the parties under a master supply agreement signed.
- (ii) The rental is charged on terms mutually agreed by the parties with reference to the prevailing market rent at the time of entering into the tenancy agreement.

The above related party transactions also constituted connected transactions under the Listing Rules.

(b) Outstanding balances with related parties:

	30 September 2008	31 March 2008
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due to a related company	<u>–</u>	<u>19,758</u>

The amount due to the related company, in which a substantial shareholder of the Company has controlling interests, arises from the payments made to a supplier and receipts of settlements from the Group's customers by the related company on behalf of the Group. The balance with the related company is unsecured, non-interest-bearing and has no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

17. Related parties transactions *(continued)*

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Short term employee benefits	1,983	1,513
Post-employment benefits	30	18
	<hr/>	<hr/>
Total compensation paid to key management personnel	2,013	1,531
	<hr/> <hr/>	<hr/> <hr/>

18. Post balance sheet events

In November 2008, Tranche Tranche 1 Convertible Bonds and Tranche 2 Convertible Bonds of principal amount in aggregate of HK\$97,500,000 were converted by the bondholders at the Conversion Price, resulting in the issue of 162,500,000 ordinary shares of the Company.

19. Approval of unaudited condensed consolidated interim financial statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 18 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Revenue for this period amounted to approximately HK\$74,698,000, representing an increase of approximately 29.4% as compared to the corresponding period for the preceding year. Loss for the period attributable to ordinary equity holders of the Company amounted to approximately HK\$34,169,000, while the Group recorded a profit of HK\$960,000 in the previous corresponding period.

Business Review

The increase in revenue was mainly contributed by the newly acquired mineral resource operation, which contributed a revenue of HK\$13,744,000 during the period and a marginal increase in revenue from the apparel operation. With the plunge in market price of nickel and the decrease in nickel ore demand from the PRC, the overall performance of mineral resource operation was affected. Furthermore, with the general increase in operating expenses and costs together with the finance cost associated with convertible bonds issued by the Group, the Group recorded a loss of approximately HK\$34,169,000 for the period.

Outlook

The first half of 2008/09 financial year has been a difficult period for the Group. Owing to natural disasters in Mainland China and environmental protection regulations imposed by the PRC government during the 2008 Olympic Games, production of base metals in Mainland China decreased drastically during the period as well as the demand for metal ore. The decrease in metal price also hindered the Group's development in mineral resources operation. Notwithstanding the recent downturn of worldwide economy, the Group believes that, driven by the sustained economic growth in Mainland China, the demand in mineral resources will steadily improve in the long run. In November 2008, the Group entered into a framework agreement with a prospective vendor to acquire coal trading rights of coal mines in Indonesia. The said mines should have steam coal resources of not less than 150 million tonnes and coal trading, prior to completion of acquisition, is likely to commence by early 2009. The Board believes that the proposed acquisition will bring in new business opportunity and this new trading activity shall be able to bring in promising return to the Group. Looking forward, the Group will actively explore valuable/profitable investment opportunities including mining operation of other base metal, smelting operation and trading of mineral resources as to strengthen the Group's market position and profitability.

Employees and Remuneration Policy

As at 30 September 2008, the Group employed around 400 (as at 30 September 2007: approximately 500) employees in both Hong Kong and the PRC. The Group's remuneration policies are based primarily on the prevailing market situation and labour laws and the performance of individual employees, which are subject to annual review.

Capital Expenditure

There is no material capital expenditure for business development during the period under review. Save as disclosed, there is no plan for any material investments or capital assets to be acquired.

Liquidity and Financial Resources

The Group continues to finance operations from internal cash flows and banking facilities provided by its bankers. The Group currently has aggregate composite banking facilities of approximately HK\$70,200,000. All bank borrowings were for purpose of trade-finance and working capital.

As at 30 September 2008, the Group's net current assets is approximately HK\$112,027,000 (as at 31 March 2008: HK\$141,070,000). Total cash and bank balances and pledged bank deposits decreased from HK\$48,621,000 to HK\$35,292,000 as the Group had repaid all interest-bearing bank borrowings during the period. The net cash and bank balances decreased moderately by HK\$4,111,000 over the period. Inventories reduced from HK\$44,238,000 to HK\$40,867,000. Trade and bills receivables decreased by approximately 57.8% to become HK\$42,635,000; whereas, trade and bills payables increased by approximately 6.9% to become HK\$7,953,000, mainly due to seasonality of sales and purchases.

The Group's gearing ratio at the period-end is 1.03 (as at 31 March 2008: 2.97), which was calculated based on the total liabilities of HK\$1,279,369,000 (as at 31 March 2008: HK\$1,915,911,000) and total equity of HK\$1,237,245,000 (as at 31 March 2008: HK\$644,327,000). With a net asset position, the financial position of the Group remains solid. The management believes that the Group is well-prepared for the current difficult economic environment, and to exploit any potential opportunities that may present themselves.

Financial Risk Management

It is our policy not to engage in speculative activities.

The Group's major transactions are primarily denominated in Hong Kong dollars, United States dollars ("US\$") and Renminbi ("RMB"). Foreign exchange exposure of the Group is considered minimal as the exchange rate of RMB and US\$ against Hong Kong dollars were relatively stable during the period. No financial instrument has been used for hedging purposes.

Payment terms with customers are mainly on letter of credits, cash on delivery and on credit terms. In order to minimize the credit risk associated with trade debtors, the Group is very cautious in granting credits. Credit terms granted vary among individual customers.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the unaudited condensed consolidated interim financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

At 30 September 2008, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage to the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Sy Chin Mong, Stephen	–	331,056,600	331,056,600	17.23%

(2) Long positions in the underlying shares of convertible bonds of the Company:

Name of director	Principal amount of convertible bonds <i>HK\$</i>	Number of underlying shares held	Percentage to the Company's issued share capital
Sy Chin Mong, Stephen (<i>note</i>)	363,866,040	606,443,000	31.56%

Note: As at 30 September 2008, convertible bonds in principal amount of HK\$363,866,040 was held by Elite Dragon Limited, a company owned as to 80% by Bel Trade Investment Holdings Ltd., which in turn is wholly owned by Dr. Sy Chin Mong, Stephen.

Save as disclosed above, as at 30 September 2008, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

So far as known to any Director or chief executive of the Company, as at 30 September 2008, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(1) Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Elite Dragon Limited (note 1)	Directly beneficially owned	331,056,600	17.23%
Shiyong Finance Limited	Directly beneficially owned	300,000,000	15.61%
Wang Shui-Chung, Patrick	Directly beneficially owned	100,001,000	5.20%
Sze Chi Ching	Directly beneficially owned	100,000,000	5.20%
High Chance Investments Limited (note 2)	Directly beneficially owned	67,983,400	3.54%

Notes:

1. Elite Dragon Limited is a company owned as to 80% by Bel Trade Investment Holdings Ltd., which in turn is wholly owned by Dr. Sy Chin Mong, Stephen, the Chairman and Chief Executive Officer of the Company. Dr. Sy is the father of Mr. Sy Lai Yin, Sunny, an executive director of the Company.
2. High Chance Investments Limited is a company owned as to 70% by Mr. David Supardi.

(2) Long positions in the underlying shares of convertible bonds of the Company:

Name	Principal amount of convertible bonds HK\$	Number of underlying shares held	Percentage to the Company's issued share capital
Elite Dragon Limited (<i>note</i>)	363,866,040	606,443,400	31.56%
High Chance Investments Limited (<i>note</i>)	143,784,960	239,641,600	12.47%

Note: As at 30 September 2008, Elite Dragon Limited and High Chance Investments Limited were the holder of convertible bonds in the principal amount of HK\$363,866,040 and HK\$143,784,960, respectively, which could be converted upon exercise, into shares of the Company at HK\$0.6 per share, by no later than 4:00 p.m. on 14 January 2013. This constituted a long position in physically settled equity derivatives under the SFO.

Save as disclosed above, as at 30 September 2008, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE REPORT

The Company has complied with all the Code Provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 September 2008, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently and throughout the period ended 30 September 2008, the roles of both the Chairman and the Chief Executive Officer of the Company are performed by the same individual. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. As such, it is beneficial to the business prospects and management of the Company.

Following Mr. Kwok Chun Pong, Stephen's resignation, the Company since 30 April 2008 had only two independent non-executive Directors and two audit committee members, which fall below the minimum number of three independent non-executive Directors and three audit committee members as required under Rules 3.10 and 3.21 respectively of the Listing Rules. With effect from the appointment of Dr. Chang Soo Kong on 29 July 2008, the Company has had complied with the requirement of Rules 3.10 and 3.21 of the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a new code of conduct regarding securities transactions by Directors of the Group on terms no less exacting than the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the period ended 30 September 2008.

AUDIT COMMITTEE

The audit committee comprises the 3 independent non-executive directors of the Company. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and maintaining an appropriate/review of the relationship with the auditors of the Company. The Audit Committee has reviewed the Company's unaudited interim report for the period ended 30 September 2008.

REMUNERATION COMMITTEE

The Remuneration Committee comprises 2 of the independent non-executive directors, namely, Mr. Hsu Hsung, Adolf, and Mr. Ho Wai Chi, Paul and an executive director, Dr. Sy Chin Mong, Stephen (Chairman of the Remuneration Committee) of the Company.

The principal responsibilities of the Remuneration Committee include making recommendations to the board of directors of the Company on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

NOMINATION COMMITTEE

The Nomination Committee comprises 2 of the independent non-executive directors, namely, Mr. Hsu Hsung, Adolf, and Dr. Chang Soo-Kong and an executive director, Dr. Sy Chin Mong, Stephen (Chairman of the Nomination Committee) of the Company.

The principal responsibilities of the Nomination Committee include making recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors, and reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

DIRECTORS OF THE COMPANY

As at the date of this report, the executive directors of the Company are Dr. Sy Chin Mong, Stephen, Mr. Sy Lai Yin, Sunny, Ms. Sze Shan Shan, Pat, Mr. Leung Shu Yin, William and Mr. Li Wing Tak, and the independent non-executive directors of the Company are Mr. Hsu Hsung, Adolf, Dr. Chang Soo-Kong and Mr. Ho Wai Chi, Paul.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our management team and staff members for their hard work, dedication and support throughout the period.

On behalf of the Board

Sy Chin Mong, Stephen

Chairman and Chief Executive Officer

Hong Kong, 18 December 2008